

**Connecticut's Cities Need the Option of Taxing Land Value and Reducing, Even
Eliminating, the Tax on Improvements.
in favor of SB-130**

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The conventional property tax is a combination of two taxes with very different effects. We've yoked together the tax on land value, which can be one of the very best taxes ever devised, and a tax on buildings and other improvements, which has very little to recommend it. When a city or town needs more revenue, it is forced into raising both equally.

Taxing in proportion to land value provides good incentives: it nudges the owners of well-located (and thus valuable) land into either putting it to good use themselves, or selling it to someone who will do so.

- Vacant lots give way to buildings which house people, employ people, serve people.
- Underused lots -- parking lots and low-rise buildings in mid- and high-rise neighborhoods -- give way to buildings which serve contemporary needs -- often multi-use buildings which give the downtown a 24/7 liveliness.

Land stops being a speculator's nest egg, and starts being productive and useful to the entire business and residential community.

Taxing buildings has little to recommend it. It penalizes, year after year, the individual who maintains his home well, or the one who expands it to better meet his own preferences. It penalizes the small businessman who builds a modern useful structure to serve his customer's needs. It penalizes the developer who replaces an old worn out building suitable to 50 years ago with an energy-efficient modern one suitable to today's and tomorrow's needs.

I've lived in Stamford since 1975. For as long as I can remember, there has been a "Hole in the Ground" almost in the middle of Stamford's downtown. It sits directly between the two tallest buildings when I arrived, the Landmark Building and the Marriott Hotel. And it is still a "hole in the ground" with a sign saying "Available" on it. Our tax code aids the out of town owner in being able to afford to keep waiting for his price. If there were a building on it, you'd see it from I-95. It sits across from the Marriott and across from Stamford Town Center.

It consists of two lots, 3.86 acres valued at \$24 million on the 2010 Grand List (down from \$32 million in the 2009) and 0.46 acres, valued at \$1.5 million (unchanged from 2009.)

Across the street is the Marriott, on 3.57 acres. Its land is valued at \$29 million, unchanged from 2009) and its buildings at \$18 million (down from \$21 million in 2009).

The Hole in the Ground pays in taxes \$460,000.

The Marriott pays in taxes \$925,000.

One supplies jobs, hotel rooms, meeting spaces, meals, gathering places and parking to its community. The other supplies nothing. Yet we pay to protect it; we provide infrastructure and maintenance around it. We must walk by it, drive by it, live with the emptiness of that lot.

When Stamford needs more revenue, it must currently raise the taxes on both its land and its buildings. That puts $\frac{2}{3}$ of the load on the Marriott and $\frac{1}{3}$ on the Hole in the Ground. Shouldn't we have the option to share that load more evenly between them?

Every one of Connecticut's cities has situations like this. I present this one because I'm familiar with the data.

Land Value Taxation provides our cities and town a precision tool to nudge landholders to stop waiting for someone to make them rich, and lets us light a gently flame under them, with the understanding that we can shift more of the cost of services in their direction in the future if we see fit. It is good for average homeowners. It is good for active businesses. It just isn't kind to speculators.

Might I remind you of something a wise man wrote many years ago? He was Enoch Ensley, and he said,

NEVER TAX ANY THING
THAT WOULD BE OF VALUE TO YOUR STATE,
THAT COULD AND WOULD RUN AWAY, OR
THAT COULD AND WOULD COME TO YOU.

We want the development downtown, not on the fringes. LVT encourages the development of the land downtown, served by existing infrastructure. How we set up our incentives matters. LVT provides good incentives.

I'd be glad to answer questions, now or by email, at wyn@achenbaum.com. I've spent the last ten years exploring this literature, and have become convinced that LVT can make a big difference in how America's towns and cities look, and hope Connecticut will permit this option to its municipalities.